

ITERATIONS: DANIEL FRANKEL

# AT&T Edges Closer to True OTT Replacement of Pay TV

WHILE IT'S APPROACHED THE CONCEPT for several years, pay TV is about to fully cross the threshold into over-the-top distribution.

As first reported by *The Verge*, AT&T has begun inviting subscribers to test out a new streaming set-top that will underpin the company's upcoming premium over-the-top-delivered pay TV service. According to the report, AT&T sent emails to customers asking them if they wanted to test the device for "about six months." During its third-quarter earnings call last month, AT&T said the device was in beta, with trials beginning in early 2019.

AT&T has described the service tied to the thin-client device as a kind of meeting-in-the-middle between fully OTT distributed virtual MVPD services like WatchTV and DirecTV Now, and full-bundle satellite TV. AT&T hasn't officially announced pricing for the upcoming service, but it's been speculated that it will include a full bundle of channels and will be priced closer to traditional services. And, like traditional pay TV, it will run on proprietary hardware, not a Roku or Apple TV.

At the same time, it won't be confined to managed network. "It's a device that allows us to, instead of rolling a truck to the home, we roll a UPS or FedEx truck to the home and deliver a self-install box," AT&T chief financial officer John Stephens said at the Morgan Stanley European Technology, Media and Telecom Conference.



DANIEL FRANKEL

For more of this blog, go to [broadcastingcable.com/Nov19](http://broadcastingcable.com/Nov19).

## VIDEOPHILE

# Cord-Cutting Matches 2017's Heights in Q3

IT APPEARS THE SLIGHT deceleration in the second quarter of consumers leaving the pay TV ecosystem was just a mirage. All of the major quarterly cord-cutting tallies have now been released, and the news was record-breakingly bad for pay TV in Q2.

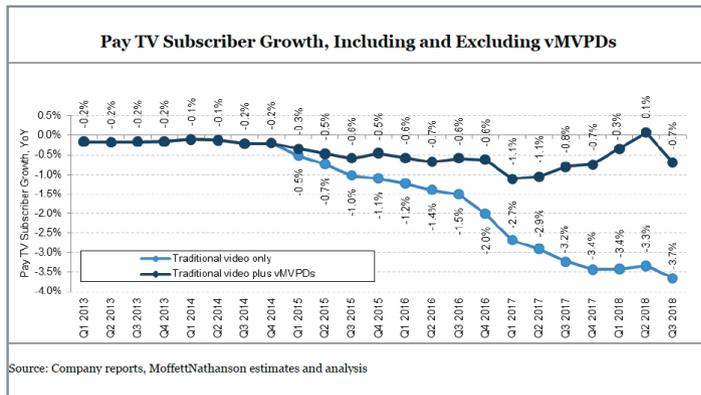
Per Kagan, pay TV operators lost 1.2 million customers in the third quarter, flat with the record losses reported for the same quarter of 2017.

Meanwhile, Leichtman Research Group, which factors virtual multichannel video programming distributors into its tally of the top operators representing 95% of the U.S. consumer market, put the total loss to the pay TV ecosystem at over 974,000, up from around 407,000 in the third quarter of 2017.

LRG said the top vMVPDs, Sling TV and DirecTV Now, added 536,000 in Q3 2017 compared to just 75,000 in the most recently completed quarter. For their part, Sling TV upped the price of its base tier by \$5 a month over the summer, and AT&T cut way down on the promotional signup activity for DirecTV Now.

"The truth is we really don't know what happened to the vMVPDs this quarter," wrote MoffettNathanson analyst Craig Moffett in his quarterly *Cord Cutting Monitor*. "Yes, we do know what happened to DirecTV Now and Sling TV. But we simply don't get good enough data about YouTube TV, Sony Vue and Hulu, to name just three of the most important vMVPDs, to say with any certainty that the growth rate of the vMVPD category slowed, accelerated, or something in between."

Like other research firms, MoffettNathanson reported in the second quarter that cord-cutting might actually be decelerating. "In reality," he added, "what we saw was an acceleration in new household formation, which more than offset a corresponding acceleration in cord-cutting, yield a net deceleration, even as things, in reality, continued to get worse." — Daniel Frankel



**"I'm a big believer in fixed-wireless consolidation. The U.S. market is the only market that has not seen fixed-wireless consolidation."**

— Dexter Goei, Altice USA's CEO, speaking at the Morgan Stanley TMT Conference in Barcelona



## NUMBER

# 728,423

The number of wireline broadband customers added in Q3 by the top seven U.S. cable operators, according to Leichtman Research Group.

These same operators added 538,238 high-speed internet users in the third quarter of 2017.